

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1168 - SB 1268

March 2, 2015

SUMMARY OF BILL: Authorizes retired general employees, police officers, or fire fighters working in a local government political subdivision to accept employment within a political subdivision, or with the state, without loss or suspension of retirement benefits; requires that the retired employee, police officer, or firefighter not be eligible to accrue additional retirement benefits as a result of employment.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – \$4,904,600

Other Fiscal Impact – The total additional lump sum pension liability to the TCRS is estimated to be a minimum of \$50,000,000.

Assumptions:

- The Tennessee Consolidated Retirement System (TCRS) provides retirement benefits for retired state employees, retired teachers, and retired local government employees.
- Retirement benefits for local government employees are funded 100 percent with local government contributions.
- This bill is applicable only to local government employees.
- Based on information provided by TCRS, this bill could incentivize local government employees who are eligible for retirement, which would continue working under current law, to retire sooner under the provisions of this bill. As a result, the liability to TCRS will increase.
- Based on all information provided by TCRS, and based on salary data of local government employees that qualify for retirement and that could return to work as proposed by the bill, the lump sum pension liability is estimated to increase by \$50,000,000.
- TCRS typically utilizes a 20-year horizon, pursuant to Tenn. Code Ann. § 3-9-103(b), and a 7.5 percent interest rate, pursuant to Tenn. Code Ann. § 8-34-5-505, when estimating annual amortized payments of pension benefits. The estimated annual amortized payment derived from these assumptions is used when TCRS cannot reasonably determine the specific individuals impacted by the proposed legislation.
- Based on the 20-year amortization assumption, and the 7.5 percent interest rate assumption, the annual amortized cost to local governments is estimated to exceed \$4,904,600.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

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